



It pays to belong.

Testimony before House Judiciary Committee
Senate Bill 269

Good afternoon and thank you for the opportunity to speak with on the very important issue of small claims court damage limits. My name is David Leusink. I am the president and CEO of Bay Winds Federal Credit Union. Bay Winds is a medium size credit union in Northern Michigan with branches in Charlevoix, Bellaire, East Jordan, Boyne City and Petoskey. We have 25,000 members and service nearly 11,000 consumer loans.

I am here today to advocate for Senate Bill 269. I would like to see the small claims limits raised to \$8,000 from its current level of \$3,000. This increase, in my view, would benefit both the defendants and the plaintiffs.

In 2011, Bay Winds was involved in 33 small claims cases, in Charlevoix, Emmet and Antrim counties, totaling \$60,898. During the same time period, we were represented in 9 general civil cases in the district courts involving \$83,605.

I'm not telling you anything you don't already know when I say that small claims cases rarely involves complicated legal theories or fact finding. What it does do is provide a timely venue and bring two parties together to discuss their differences and hopefully come to a conclusion that satisfies both sides. It has been my experience that members who default on loans do so for a reason. The small claims process opens up a dialog, where consumers can give their side of things and "tell their story". Whether we meet in front of a magistrate, a judge or with a volunteer mediator from our Citizen Dispute Resolution Center, we most often address any issues in contention and move towards a reasonable expectation of liquidating the damages.

By contrast, we find that few of our debtors file a response in the general civil court. I would contend that the reason that the defendants do not respond is that they do not have the disposable income to retain adequate counsel or are intimidated by the process. In the end, the actual cost of collection including filing fees and the plaintiff's attorney costs are added to the judgment. The net affect is that the increased costs present an added financial burden for those who could least afford it or an increased bad debt expense to the lender.

Our goal is to create member value through sound thrift practices, lower fees and lower loan rates. Most members of a cooperative know their defaults impact the other members. As a result, given a reasonable chance they would like to make good on their obligations. For the debtors that desire the services of an attorney, nothing under the proposed threshold would preclude them from requesting a change of venue to the general civil court.

My representative, Frank Foster, understands the importance of this issue and has also introduced legislation to raise the threshold for Small Claims Court filing. I trust that he shares the same concerns for our local communities that I do. I appreciate your time and ask that you support Senate Bill 269 as it was presented.